



STATE BOARD OF LAND COMMISSIONERS

Dirk Kempthorne, Governor and President of the Board

Pete T. Cenarrusa, Secretary of State

Alan G. Lance, Attorney General

J. D. Williams, State Controller

Marilyn Howard, Superintendent of Public Instruction

Winston A Wiggins, Secretary to the Board

Final Minutes Regular Land Board Meeting November 13, 2001

The regular meeting of the Idaho State Board of Land Commissioners was held on Tuesday, November 13, 2001 in Boise, Idaho. The Honorable Dirk Kempthorne presided. The following members were present:

Honorable Secretary of State Pete T. Cenarrusa
Honorable State Controller J. D. Williams
Honorable Attorney General Alan G. Lance

Secretary to the Board Winston A Wiggins

Superintendent of Public Instruction Dr. Marilyn Howard was absent for this meeting.

Before beginning the agenda, Governor Kempthorne took a moment to acknowledge the presence of retired Idaho Department of Lands employees Fred Kisabeth and Tillie Jackson. Governor Kempthorne commented that he once worked with the Department of Lands and seeing these two people today brought back wonderful memories of those times. On behalf of the people of Idaho, Governor Kempthorne thanked Mr. Kisabeth and Ms. Jackson for their dedicated service to the State and for their professionalism and friendliness.

• **CONSENT AGENDA**

Director Wiggins provided background information on the Consent Agenda items.

A motion was made by Attorney General Lance to approve the Consent Agenda in its entirety. Secretary of State Cenarrusa seconded the motion. The motion carried on a vote of 4-0, with Dr. Howard being absent for this vote.

1. Director's Report – approved

- A. Bureau of Real Estate, Land Sale Section, Official Transactions – September 2001
- B. Bureau of Real Estate, Easement Section, Official Transactions – September 2001
- C. Bureau of Range Management and Surface Leasing Official Transactions – October 2001
- D. Department of Lands Financial Summary – September 2001
- E. Timber Sale Official Transactions – September 27, 2001 – October 31, 2001
- F. Timber Sale Activity Report

2. Timber Sales – Staffed by Bob Helmer, Acting Chief, Bureau of Forest Management – approved

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|--------------|---------------|----------|
| A. CR-3-0446 | Thorn Highway | 1795 MBF |
| B. CR-3-0469 | Eagle Peak | 4270 MBF |
| C. CR-5-0101 | Evergreen | 4245 MBF |
| D. CR-6-0154 | Smith Face | 2820 MBF |

- 3. Request Approval to Add a Payette Lake Cottage Site Lessee to the Exchange List –**
Staffed by Perry A. Whittaker, Chief, Bureau of Real Estate – approved

DEPARTMENT RECOMMENDATION: Department staff request Land Board approval to add Terence J. and Carol J. Page to the Payette Non-Lakefront Cottage Site Exchange List.

BOARD ACTION: Approved.

- 4. Request for Final Approval – Idaho Department of Lands/Bureau of Land Management Packer John Exchange –**
Staffed by Perry A. Whittaker, Chief, Bureau of Real Estate – approved

DEPARTMENT RECOMMENDATION: Direct the department to complete the land exchange with the BLM, with the department recognizing existing federal grazing permittee privileges. This ten-year permit will be subject to the state's grazing-rental rate, grazing management plan, lease provisions, rules and conditions of the Land Board and any other applicable state statutes. Upon the expiration of the federal permit, the first state grazing lease will be granted to the previous federal permit holder without opportunity for conflict applications.

BOARD ACTION: Approved.

- 5. Application for Dredge/Placer Permit – Larry Kuenzli, South Fork Salmon River –**
Staffed by Scott Nichols, Chief, Bureau of Minerals – approved

DEPARTMENT RECOMMENDATION: Approve issuance of the permit subject to adherence to the plan submitted in the application and approved by the USFS, maintenance of the existing bond and compliance with the Rules and Regulations Governing Dredge and Placer Mining Operations in Idaho.

BOARD ACTION: Approved.

- 6. Application for Dredge/Placer Permit – Emerald Creek Garnet –**
Staffed by Scott Nichols, Chief, Bureau of Minerals – approved

DEPARTMENT RECOMMENDATION: Approve issuance of the permit subject to adherence to the plan submitted in the application, submission of the required bond and compliance with the Rules and Regulations Governing Dredge and Placer Mining Operations in Idaho.

BOARD ACTION: Approved.

- 7. Minutes – approved**

A. Regular Land Board Meeting – October 9, 2001

• **REGULAR AGENDA**

- 8. Endowment Fund Investment Board Manager's Report –**
Presented by Dr. Nick Hallett, Chairman, Endowment Fund Investment Board, Charles G. Saums, Manager of Investments, and Gary Lisenbee, Metropolitan West (Manager-Large Cap Value)

Audience with the Board

Mr. Gary W. Lisenbee, President, Metropolitan West, was granted an audience with the board.

Mr. Lisenbee. Mr. Lisenbee stated that Metropolitan West Capitol manages about \$2 billion in assets for clients throughout the country through public funds, endowment funds, foundations, etc. Met West uses large to mid cap value as its style and the focus is on buying companies and selling at what is considered "discount prices." When discussing "large cap," the average capitalization of the portfolio is about \$40 to \$45 billion and that means Met West is investing in larger companies, versus some managers who may be focusing on the smaller end. A value style buys businesses at lower prices relative to the underlying earnings, sales and cash flow.

The objective is a diversified portfolio of high quality growing businesses. Met West owns about thirty-five to forty of these businesses at any given time. Prospects really depend on how these businesses perform so the emphasis is on a long-term investment process. Investing can be broken down into speculators and investors. Speculators are people who make an investment for a quick profit. Investors are people who take a position in something that they know will do well over a long period of time. Met West has an investment team. Four of the Met West team make up the investment committee and spend their time going out and researching these companies.

After researching a company, Met West determines the intrinsic value, or the fair market value, of the business – what the business should sell for. If Met West sees that the stock is selling at a discount to its fair market value, Met West can decide to include that business in the portfolio. Met West looks at a minimum three-year period of investment. In portfolio construction, diversification is very important. Met West manages a growth-oriented stock portfolio that is well-diversified across economic sectors.

DISCUSSION: In looking at Met West's portfolio composition, Attorney General Lance asked if the 22.5% shown as financial services is too large a percentage. Mr. Lisenbee stated there are about five different industries within the financial services sector group and that the percentage is in line. In fact, Mr. Lisenbee added that Met West is somewhat under weighted relative to most value managers. The average value manager exposure to financials is 25% to 30%.

Governor Kempthorne asked how the events of September 11, 2001 impact the portfolio. Mr. Lisenbee responded that stocks, and the market in general, went through a tremendous disruption and decline. The portfolio itself held up well in that environment because of its quality and because of the nature of Met West's management.

Based on Met West's analysis, Governor Kempthorne asked when the economy would rebound. Mr. Lisenbee stated that in August 2001, it appeared the economy was starting to stabilize. Corporate investment had declined significantly over the last year and a half. The decade prior to that saw corporate investment ramped up at a significantly higher rate. Those activities normally track GDP growth at a fairly constant rate. Over this period, however, the line of investment was much steeper because companies had been ramping up on technology. The flip side is that technology companies had been doing very well. When that unwound, these businesses significantly cut back on their capital investment and that cutback threw the economy into a decline for about a year and a half. Throughout this, consumer spending held up relatively well. Consumer spending makes up about two-thirds of the GDP.

September 11th caused the consumer to pull back and that threw the economy clearly into a recession. The technical definition of a recession is two back-to-back quarters of declining GDP. We have already had one declining quarter – the third quarter. Even though it was slight, there will probably be a declining GDP in the fourth quarter. Basically a six-month period has been chopped out of the economy where consumers have pulled back significantly. But it is believed that consumer spending and capital spending will come back and we are looking for that snap back the first part of next year.

Attorney General Lance asked if Met West's analysis takes into account different proposals, such as a sales tax moratorium and zero financing by certain car companies and like issues. Mr. Lisenbee stated that Met West looks at all of those issues when analyzing individual businesses and industries.

No action was taken on this agenda item.

- At 9:40 a.m. a motion was made by Attorney General Lance to resolve into Executive Session. Secretary of State Cenarrusa seconded the motion. The motion carried on a vote of 4-0, with Dr. Howard being absent for this vote.

- **EXECUTIVE SESSION**

- A. To Consider and Advise Its Legal Representatives in Pending Litigation or Where There is a General Public Awareness of Probable Litigation – Idaho Code § 67-2345(1)(f)**

- B. To Consider Records that are Exempt from Disclosure as Provided in Idaho Code Chapter 3, Title 9 – Idaho Code § 67-2345(1)(d)**

- C. To Consider Personnel Matters – Idaho Code § 67-2345(1)(b)**

- At 10:05 a.m., a motion was made by Attorney General Lance to resolve into Regular Session. Secretary of State Cenarrusa seconded the motion. The motion carried on a vote of 4-0, with Dr. Howard being absent for this vote. No actions were taken by the board during the Executive Session.

There being no further business to come before the board, the meeting adjourned at 10:06 a.m.

IDAHO STATE BOARD OF LAND COMMISSIONERS

/s/

President, State Board of Land Commissioners and
Governor of the State of Idaho

/s/

Pete T. Cenarrusa
Secretary of State

/s/

Winston A Wiggins
Director
Idaho Department of Lands

<p>The above-listed final minutes were approved by the State Board of Land Commissioners at the December 11, 2001 regular Land Board meeting.</p>
